

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND TWELFTH LEGISLATURE

FIRST REGULAR SESSION

December 5, 1984 to June 20, 1985
Chapters 384-End

AND AT THE

FIRST SPECIAL SESSION

November 13, 1985

PUBLISHED BY THE DIRECTOR OF REVISOR OF STATUTES IN
ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,
TITLE 3, SECTION 163-A, SUBSECTION 4.

J.S. McCarthy Co., Inc.
Augusta, Maine
1985

PUBLIC LAWS
OF THE
STATE OF MAINE

AS PASSED AT THE
FIRST REGULAR SESSION

CONTINUED

and

FIRST SPECIAL SESSION

of the

ONE HUNDRED AND TWELFTH LEGISLATURE

1985

B. The abandonment of service shall not mean or infer that the rights-of-way on a railroad line have been abandoned. In the event that the railroad, any person, firm or corporation, or any agency shows interest in the eventual restoration of service, the rights-of-way shall not be deemed abandoned.

Since it is in the best interest of the State to retain the rights-of-way intact, this paragraph shall apply to all existing and future rights-of-way created prior to or following the effective date of this section, as amended.

C. Whenever the department acquires railroad lines, to hold and to manage for future railroad uses, those lines shall not be considered abandoned for railroad purposes. The commissioner shall periodically review the need to hold those lines for future railroad uses.

Effective September 19, 1985.

CHAPTER 399

H.P. 1024 - L.D. 1476

AN ACT to Amend the Provisions Governing the Conversion of a Mutual Insurer.

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the Maine Revised Statutes, Title 24-A, section 3477, which authorizes and provides standards governing the conversion of a domestic mutual insurer to a stock form, was enacted by Public Law 1969, chapter 132, section 1, as part of the recodification of the Maine Insurance Code which became effective January 1, 1970, at which time there was little interest in demutualization on the part of mutual insurers except those which were financially distressed and sought to demutualize in order to facilitate their acquisition and avoid liquidation; and

Whereas, major changes and developments in the insurance industry and in the economic environment in general, including increased competition in financial services, have recently caused new interest in

demutualization on the part of insurers which are not financially distressed; and

Whereas, the statutory standards governing demutualization have not been reviewed or revised in light of these changed economic conditions because, until recently, no Maine domiciled insurer has expressed the intention of pursuing demutualization; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 24-A MRSA §10, sub-§4, as enacted by PL 1969, c. 132, §1, is amended to read:

4. A Unless otherwise expressly provided by this Title, a domestic insurer heretofore formed under a special Act of the Legislature, where inconsistent with such special Act as heretofore amended.

Sec. 2. 24-A MRSA §3471, as enacted by PL 1969, c. 132, §1, is repealed and the following enacted in its place:

§3471. Scope of subchapter

This subchapter applies as to domestic stock and mutual insurers whether heretofore or hereafter formed, including insurers chartered under special legislative Acts, notwithstanding any inconsistent provisions in the charters of the insurers.

Sec. 3. 24-A MRSA §3477, sub-§1, as amended by PL 1973, c. 585, §12, is further amended to read:

1. A mutual insurer may amend its charter pursuant to this section to become a stock insurer, or a combination stock and mutual insurer, under such reasonable plan and procedure as may be approved by the superintendent after a hearing thereon of which notice was given to the insurer, its directors or trustees, its officers, employees and its members policyholders, all of whom shall have the right to appear and be heard at the hearing.

Sec. 4. 24-A MRSA §3477, sub-§2, ¶B, as amended by PL 1973, c. 585, §12, is repealed and the following enacted in its place:

B. It is subject to approval by vote of not less than 2/3 of the insurer's policyholders voting thereon in person, by proxy, or by mail at a meeting of policyholders called for the purpose pursuant to such reasonable notice and procedure as may be approved by the superintendent and each such policyholder shall be entitled to one vote, provided that only persons who were policyholders both at least one year prior to the submission of the insurer's plan to the superintendent and on a subsequent date, found reasonable by the superintendent, prior to the vote shall be entitled to vote; provided that as to life insurers chartered by special Act prior to January 1, 1970, the persons entitled to vote shall be further limited to owners of life insurance policies and contracts, and those persons shall be entitled to one vote and to an additional vote for each \$1,000 of insurance above 1,000, except that in the case of any policy or contract of group life insurance or any group annuity contract providing life insurance, the employer or other person, firm, corporation or association, to whom or in whose name the master policy or contract shall have been issued or held, shall be deemed to be the owner within the meaning of this paragraph and shall be entitled to one vote for each such policy or contract of group life insurance or each such group annuity contract irrespective of the number of lives insured under that policy or contract;

Sec. 5. 24-A MRSA §3477, sub-§2, ¶D, as enacted by PL 1969, c. 132, §1, is amended to read:

D. The plan gives to each member of the insurer as specified in paragraph E, a preemptive right to acquire his proportionate part of all of the proposed capital stock of the insurer, or all of the stock of a proposed parent corporation of the insurer, within a designated reasonable period, as such part is determinable under the plan of conversion, and to apply upon the purchase thereof the amount of his equity in the insurer as determined under paragraph C, except that the plan may provide, subject to the approval of the superintendent, that such preemptive right will not apply to members who reside in jurisdictions in which the issuance of stock is impossible, would involve unreasonable delay or would require the

insurer to bear unreasonable costs, provided that any such member shall receive 100% of his equity share in the insurer in the form of a cash payment;

Sec. 6. 24-A MRSA §3477, sub-§2, ¶E, as amended by PL 1973, c. 585, §12, is further amended to read:

E. The members entitled to participate in the purchase of stock or distribution of assets shall include not less than all ~~current~~ policyholders of the insurer as of the date the plan was submitted to the superintendent and each existing person who had been a policyholder of the insurer within 3 years prior to the such date such plan was submitted to the superintendent;

Sec. 7. 24-A MRSA §3477, sub-§2, ¶G, as amended by PL 1973, c. 585, §12, is repealed and the following enacted in its place:

G. The plan provides for payment to each member of his entire equity share in the insurer, with that payment to be made in cash or to be applied for or upon the purchase of stock to which the member is preemptively entitled, or both, provided that with respect to each member who is not given the option of receiving his entire equity share in cash, the plan shall provide that that member shall have the option to receive a reasonable portion of his equity share, as provided in the plan, but not in excess of 50% of his entire equity, in the form of a cash payment, which payment together with the amount applied to the purchase of stock shall constitute full payment and discharge of the member's equity or property interest in that mutual insurer; provided further that the superintendent may permit an insurer to forego the option of making a cash payment to members if he determines that it would be reasonable not to provide for the cash election, after taking into account all the facts and circumstances, including whether there is expected to be an active market for the stock to be received in the conversion;

Sec. 8. 24-A MRSA §3477, sub-§6 is enacted to read:

6. Costs. For the purpose of determining whether a conversion plan meets the requirements of this section and any other relevant provisions of this Title, the superintendent may employ staff personnel

and outside consultants. All reasonable costs related to the review of a plan of conversion, including those costs attributable to the use of staff personnel, shall be borne by the insurer or insurers making the filing.

Sec. 9. Transitional provision. Notwithstanding the terms of the Maine Revised Statutes, Title 1, section 302; Title 24-A, sections 10, 3471 and 3477, as amended by this Act, shall apply to any filing by a mutual insurer seeking the approval of the Superintendent of Insurance of its plan and procedure of demutualization, including any such filing which has been previously filed with and is currently pending hearing or decision by the Superintendent of Insurance upon the effective date of this Act.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

Effective June 21, 1985.

CHAPTER 400

H.P. 1022 - L.D. 1500

AN ACT to Revise the Maine Securities Act.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 32 MRSA c. 13, sub-cc. I to V, as amended, are repealed.

Sec. 2. 32 MRSA c. 105 is enacted to read:

CHAPTER 105

REVISED MAINE SECURITIES ACT

SUBCHAPTER I

SHORT TITLE

§10101. Short title

This Act may be cited as the "Revised Maine Securities Act."